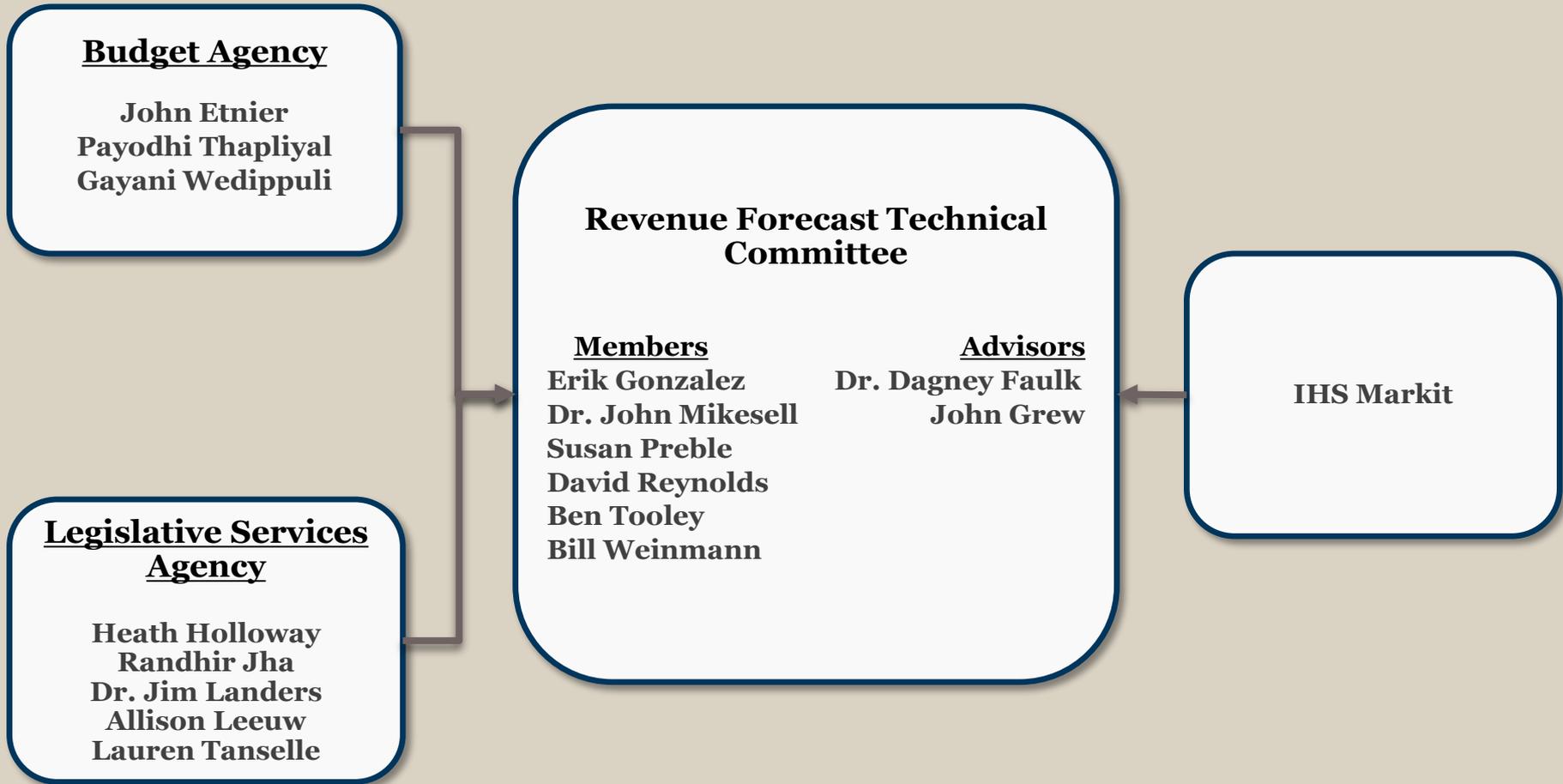


General Fund Revenue Forecast

Fiscal Years 2017-2019
Revenue Forecast Technical Committee

Presented to the State Budget Committee
December 15, 2016

Indiana Revenue Forecast



Major Revenue Sources Performances Compared to Prior Forecast & Prior Year

Year-To-Date Through November 30th - FY 2017

Sales Tax	April 2015 Forecast : -4.9% Dec 2015 Forecast : -2.8% Same Period FY 2016: 2.7%
April 2015 Forecast : 4.8% Dec 2015 Forecast : 3.1% Same Period FY 2016: 3.9%	Income Tax
Corporate Tax	April 2015 Forecast : -25.4% Dec 2015 Forecast : -23.2% Same Period FY 2016: -11.4%
April 2015 Forecast : -2.1% Dec 2015 Forecast : -1.2% Same Period FY 2016: 2.4%	Total General Fund

Forecast Overview

Economic Forecast

- Economy continues to gradually pick-up behind gains in employment but still showing effects of slow recovery.
- Indiana unemployment rate predicted to stay slightly above 4% level.

Revenue Forecast Models

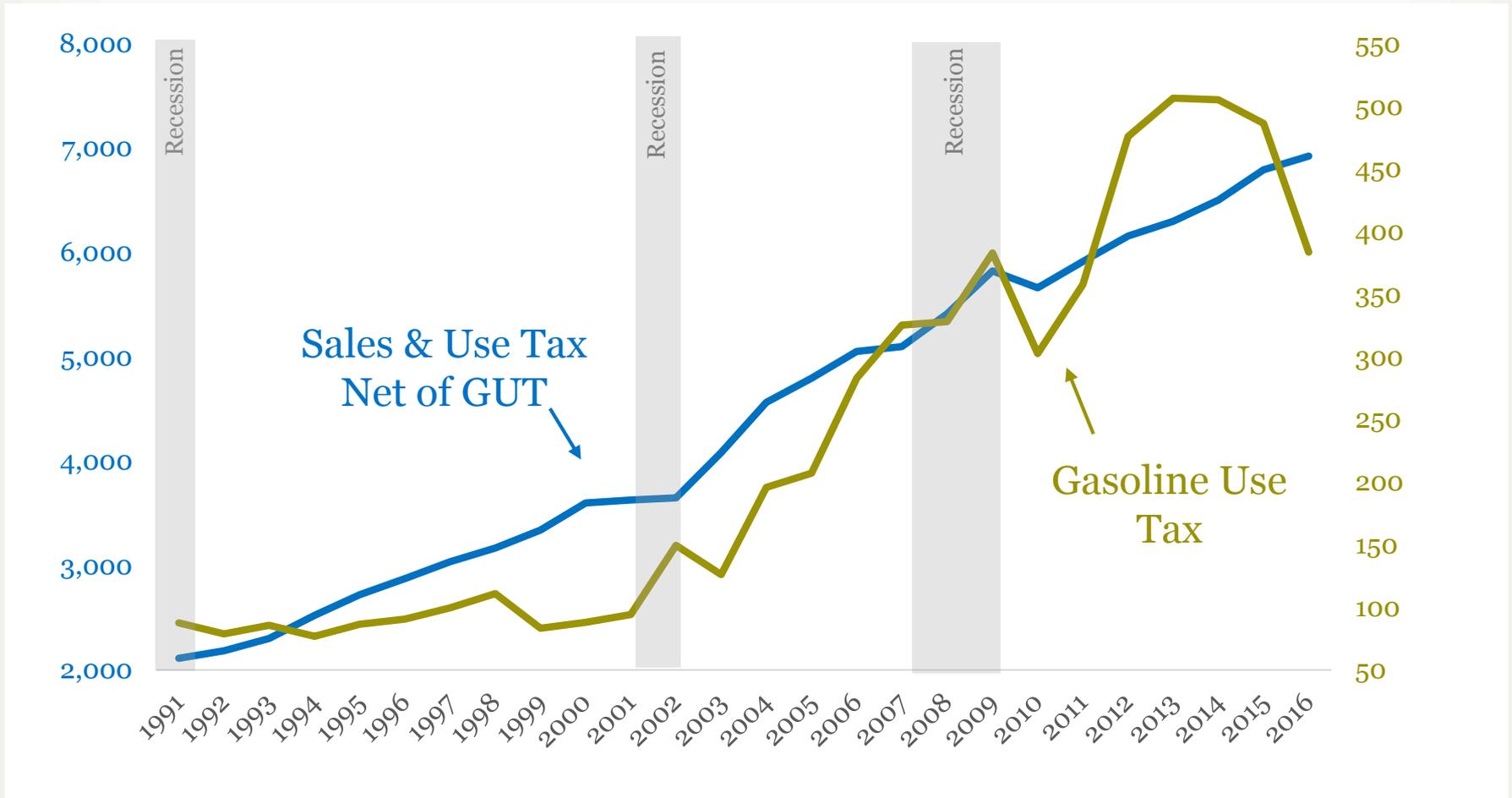
- Modified:
Sales Tax, Individual Income Tax.
- Unchanged:
Corporate Tax Models, Cigarette, and Alcohol Tax, Gaming Tax Models.

Forecast Overview

Incorporation of Impacts of Recent Legislative Changes

- Individual Income Tax Rate Reduction
 - 3.3% in CY 2016 to 3.23% in CY 2017 & onwards
- Ongoing Corporate Tax Rate Reduction
 - 6.25% in FY 2017
 - 6.00% in FY 2018
 - 5.75% in FY 2019
- Ongoing FIT Rate Reduction
 - 7.0% in CY 2016
 - 6.5% in CY 2017 and CY 2018
 - 6.25% in CY 2019
- Gasoline Use Tax (GUT) Distributions to State General Fund
 - Distributed same as rest of the Sales & Use tax.
 - 85.714% in FY 2017
 - 71.428% in FY 2018
 - 64.285% in FY 2019 & onwards
- Sales Tax Net of GUT Distributions to State General Fund
 - 98.848% in FY 2016
 - 99.838% in FY 2017 & onwards

Gasoline Use Tax (GUT) Revenues vs. Sales Tax Net of GUT Revenues (in \$ Mil)



Changes in the Sales Tax Model

Sales Tax Revenue Estimators

December 2015

Indiana Personal
Income

Indiana Population
65 Years and Older

Total Indiana Private
Housing Starts

December 2016

Gasoline Use Tax

US
Gas Prices

US Highway Fuel
Consumption

Remaining Sales & Use Tax

Indiana Personal Income Net
of Transfer Payments

Indiana
Population
65 Years and
Older

Total Indiana
Private
Housing Starts

Changes in the Income Tax Model

Total Income Tax Estimators

December 2015

Estimated Tax Payments

Proprietors Income	1-Year Lag of Estimated Payments
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Withholdings

Wages & Salaries

Extra Pay Period in Quarter

Reconciliations

Fiscal Year Average

December 2016

Estimated Tax Payments

S&P 500	1-Year Lag of Estimated Payments
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Withholdings

Wages & Salaries

Extra Pay Period in Quarter

Reconciliations

1- Year Lag of Reconciliations

December 2016 Forecast Results

Total Tax Revenue Estimates

December 15, 2016, Revenue Forecast

Sales Tax (in millions)						
Fiscal Year	Dec-15 Forecast	Dec-16 Forecast	Growth over Prior Year		Difference Dec 2015 Forecast to Dec 2016 Forecast	
2017	7,665.3	7,400.2	177.6	2.5%	-265.1	-3.5%
2018		7,618.0	217.8	2.9%		
2019		7,889.7	271.7	3.6%		

Individual Income Tax (in millions)						
Fiscal Year	Dec-15 Forecast	Dec-16 Forecast	Growth over Prior Year		Difference Dec 2015 Forecast to Dec 2016 Forecast	
2017	5,372.2	5,399.8	181.6	3.5%	27.6	0.5%
2018		5,596.3	196.5	3.6%		
2019		5,942.0	345.7	6.2%		

Corporate Income Tax (in millions)						
Fiscal Year	Dec-15 Forecast	Dec-16 Forecast	Growth over Prior Year		Difference Dec 2015 Forecast to Dec 2016 Forecast	
2017	966.3	911.7	-72.3	-7.4%	-54.6	-5.7%
2018		926.7	15.1	1.7%		
2019		932.8	6.1	0.7%		

Total Tax Revenue Estimates

December 15, 2016, Revenue Forecast

Gaming Taxes (in millions)						
Fiscal Year	Dec-15 Forecast	Dec-16 Forecast	Growth over Prior Year		Difference Dec 2015 Forecast to Dec 2016 Forecast	
2017	408.9	407.4	-33.5	-7.5%	-\$1.5	-0.4%
2018		401.0	-6.4	-1.6%		
2019		391.4	-9.6	-2.4%		

Other Taxes (Includes MVET/ CVET Recapture) (in millions)						
Fiscal Year	Dec-15 Forecast	Dec-16 Forecast	Growth over Prior Year		Difference Dec 2015 Forecast to Dec 2016 Forecast	
2017	930.8	924.5	-29.4	-3.1%	-\$6.3	-0.7%
2018		938.7	14.3	1.5%		
2019		931.0	-7.7	-0.8%		

Total General Fund Taxes (in millions)						
Fiscal Year	Dec-15 Forecast	Dec-16 Forecast	Growth over Prior Year		Difference Dec 2015 Forecast to Dec 2016 Forecast	
2017	15,343.4	15,043.5	224.0	1.5%	-\$299.9	-2.0%
2018		15,480.8	437.3	2.9%		
2019		16,087.0	606.2	3.9%		

December 2016 Forecast Compared to Budget Plan

(In Millions of Dollars)

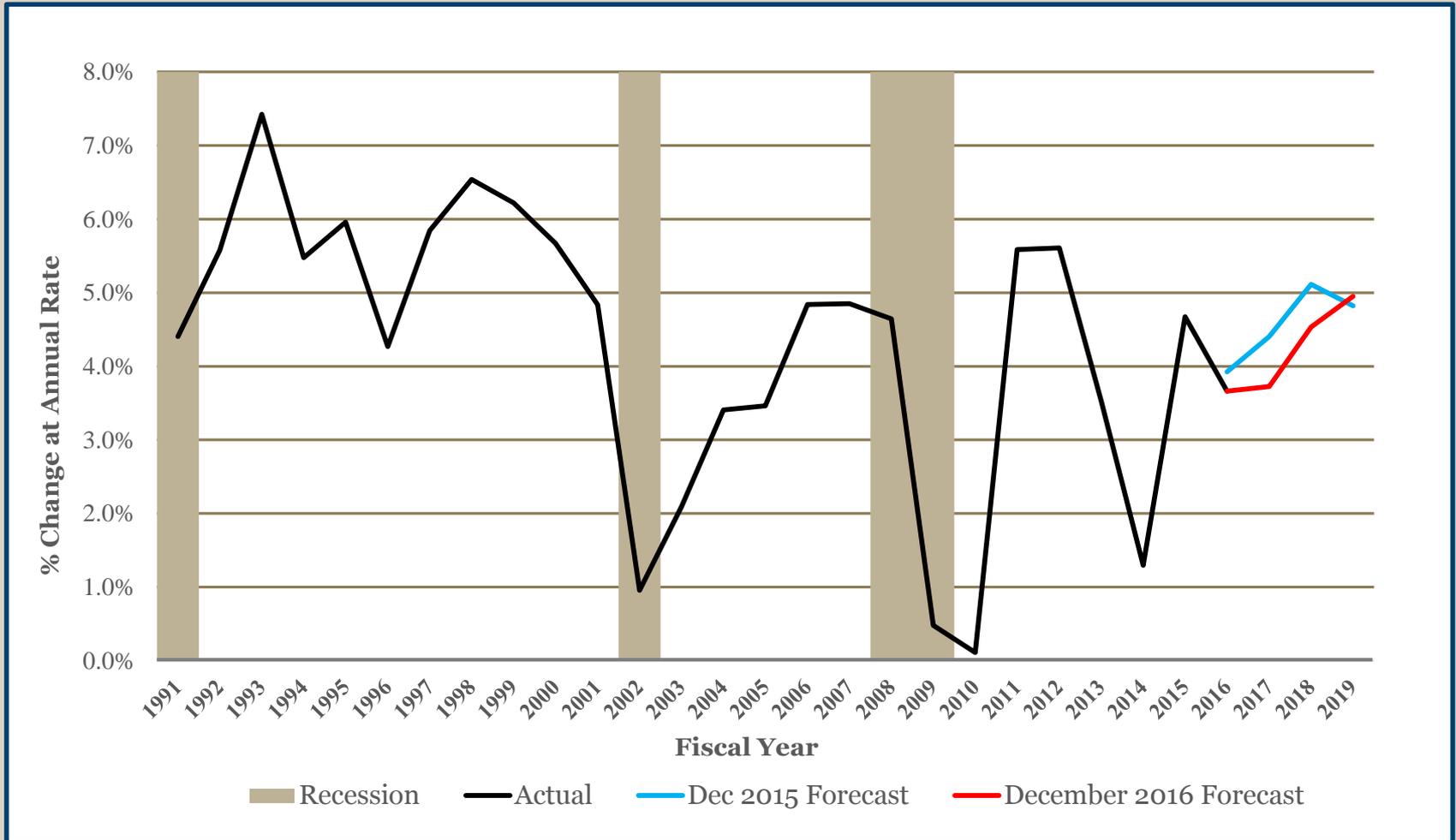
Fiscal Year	April 2015 Forecast	2015 Session Legislative Changes	Budget Plan Revenues	December 2016 Forecast	Difference (\$) Budget Plan to December 2016 Forecast	Difference (%) Budget Plan to December 2016 Forecast
2017	\$15,478.3	(\$56.6)	\$15,421.7	\$15,043.5	(\$378.2)	-2.45%

Total General Fund Revenue Forecast
Fiscal Years 2017, 2018 & 2019
December 15, 2016
(In Millions of Dollars)

	Actual 2016	Dec. 2015 Forecast 2017	Updated Forecast 2017	Percent		Percent Growth Over 2016	Updated Forecast 2018	Percent Growth Over 2017	Updated Forecast 2019	Percent Growth Over 2018
				Diff. From Prior Forecast	Diff. From Prior Forecast					
<u>Major Taxes</u>										
Sales & Use	7,222.6	7,665.3	7,400.2	-265.1	-3.5%	2.5%	7,618.0	2.9%	7,889.7	3.6%
Individual Income	5,218.2	5,372.2	5,399.8	27.6	0.5%	3.5%	5,596.3	3.6%	5,942.0	6.2%
Corporate - AGI, URT, USUT, FIT	984.0	966.3	911.7	-54.6	-5.7%	-7.4%	926.7	1.7%	932.8	0.7%
Riverboat Wagering	330.0	307.3	298.4	-8.9	-2.9%	-9.6%	290.2	-2.7%	281.4	-3.0%
Racino Wagering	<u>110.9</u>	<u>101.6</u>	<u>109.0</u>	<u>7.4</u>	<u>7.3%</u>	<u>-1.7%</u>	<u>110.8</u>	<u>1.7%</u>	<u>110.0</u>	<u>-0.7%</u>
Subtotal Major Taxes	13,865.7	14,412.7	14,119.1	-293.6	-2.0%	1.8%	14,542.1	3.0%	15,156.0	4.2%
<u>Other Revenue</u>										
Cigarette	255.2	248.2	244.2	-4.0	-1.6%	-4.3%	238.4	-2.4%	234.6	-1.6%
Insurance	230.0	224.1	235.3	11.2	5.0%	2.3%	240.7	2.3%	246.3	2.3%
Inheritance	0.9	0.0	0.0	0.0	N/A	N/A	0.0	N/A	0.0	N/A
Alcoholic Beverages	18.0	19.4	19.5	0.1	0.5%	8.3%	20.1	3.1%	20.7	3.0%
Riverboat Admissions	11.2	11.3	10.6	-0.7	-6.2%	-5.4%	10.3	-2.8%	10.3	0.0%
Interest	22.7	18.2	23.2	5.0	27.7%	2.4%	23.8	2.4%	24.3	2.4%
Motor & Comm. Vehicle Excise	247.7	236.1	236.4	0.3	0.1%	-4.6%	238.6	0.9%	239.3	0.3%
Miscellaneous Revenue	<u>168.1</u>	<u>173.5</u>	<u>155.2</u>	<u>-18.3</u>	<u>-10.5%</u>	<u>-7.7%</u>	<u>166.9</u>	<u>7.5%</u>	<u>155.5</u>	<u>-6.8%</u>
Subtotal Other Revenue	953.8	930.8	924.5	-6.3	-0.7%	-3.1%	938.7	1.5%	931.0	-0.8%
Total General Fund	14,819.5	15,343.4	15,043.5	-299.9	-2.0%	1.5%	15,480.8	2.9%	16,087.0	3.9%

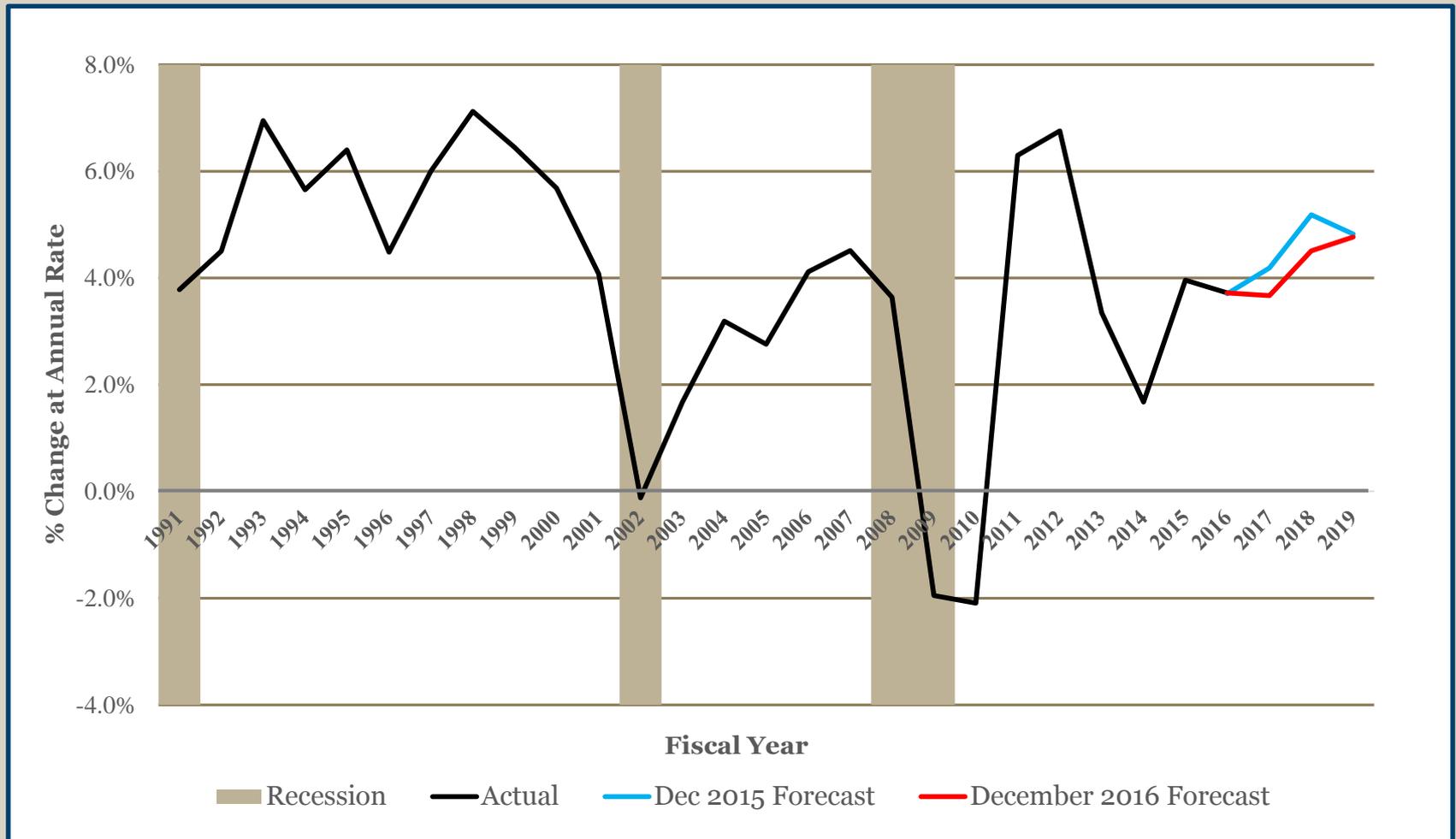
Appendices for
December 2016 Revenue Forecast

Indiana Personal Income (IPI)



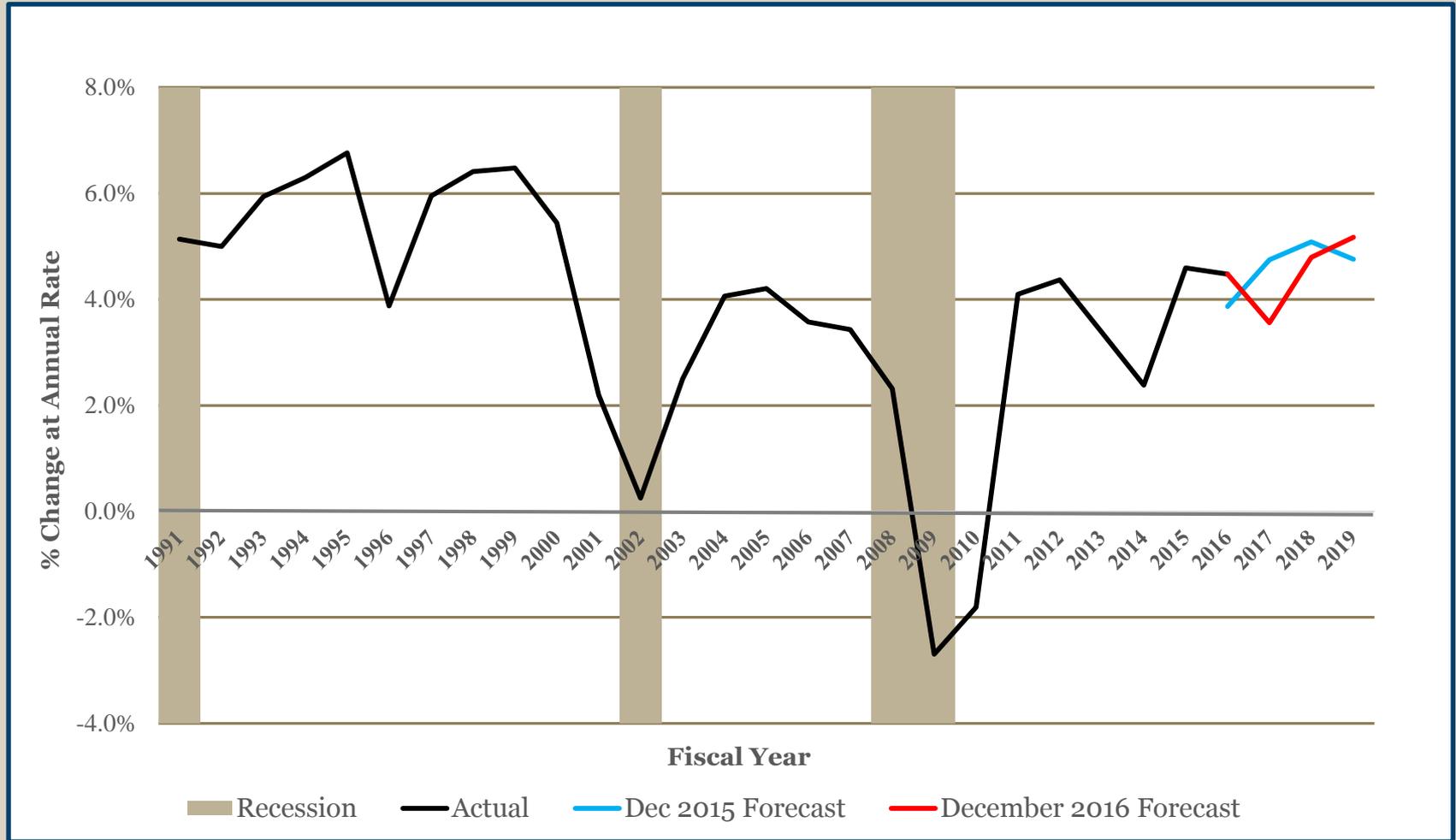
Data Source: IHS Markit

Indiana Personal Income Net of Transfer Payments



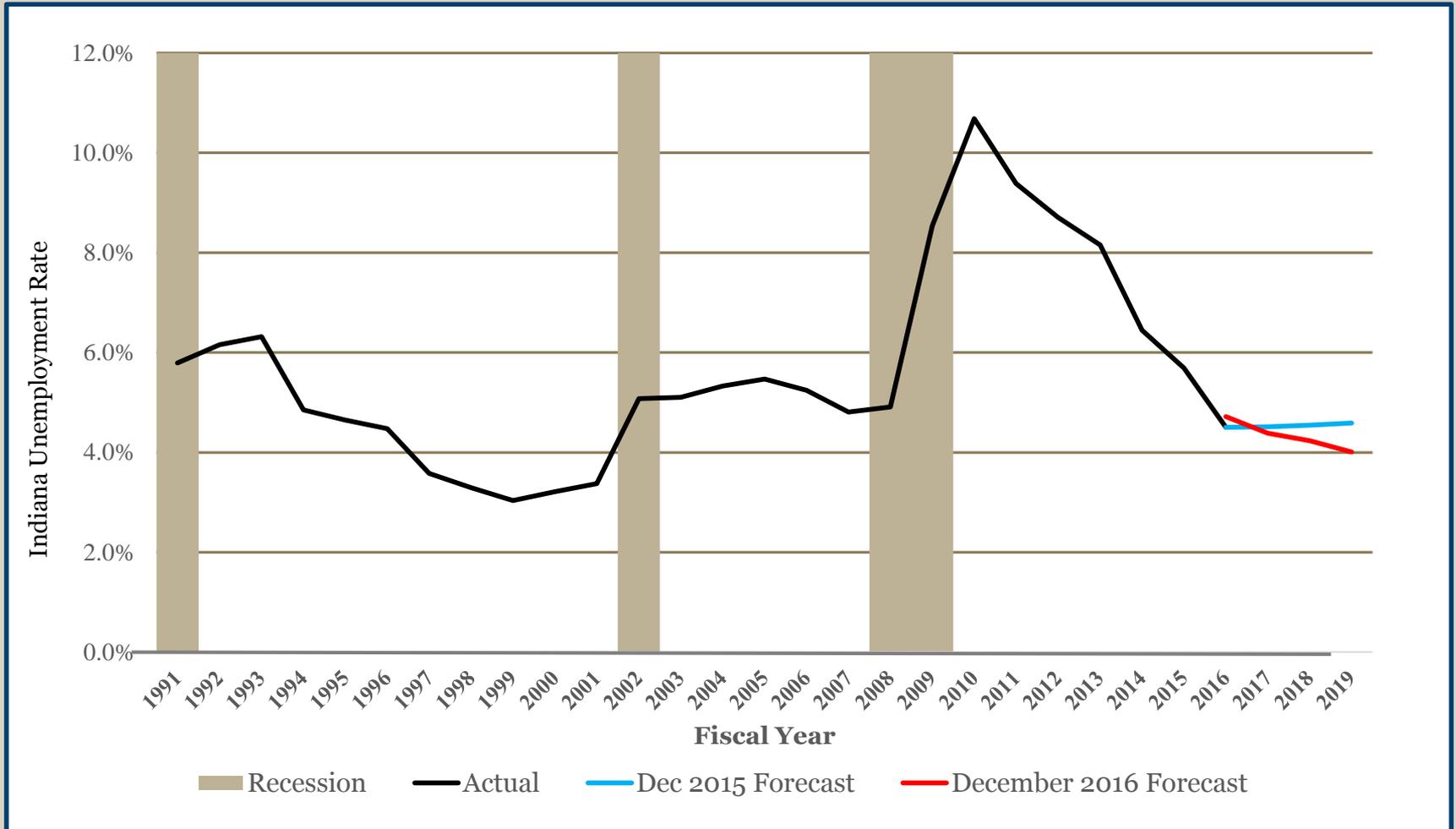
Data Source: IHS Markit

Indiana Wages & Salary



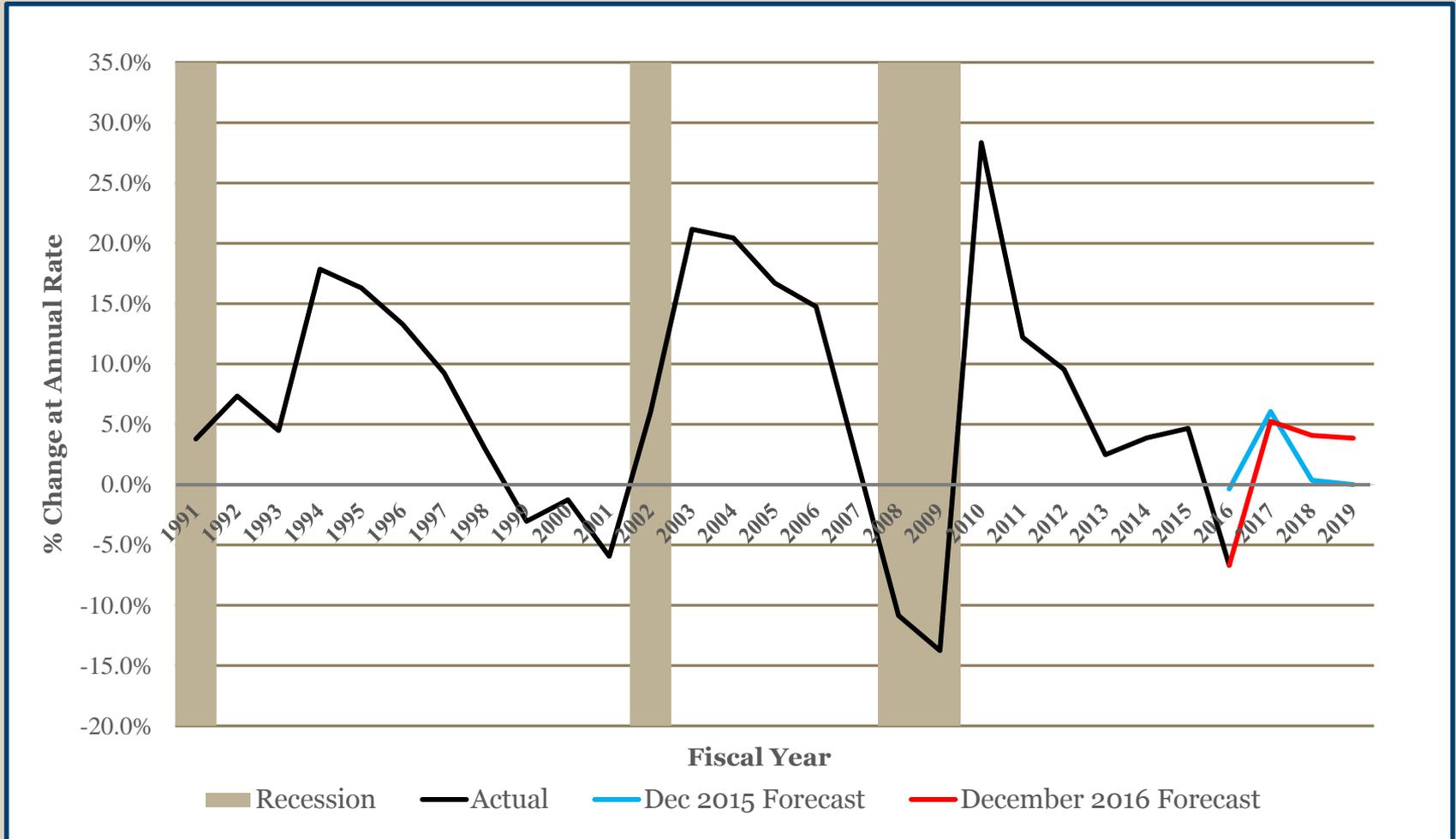
Data Source: IHS Markit

Indiana Unemployment Rate



Data Source: IHS Markit

U.S. Corporate Profits



Data Source: IHS Markit

Economic Variables

FY 2016, FY 2017, FY 2018 & FY 2019

Indicator	Estimate Year			Difference (%) Dec 2015 to Dec 2016	
		December 2015 Forecast	December 2016 Forecast*		
Nominal Indiana Personal Income (in millions)	2016*	276,668	282,506	actual	2.11%
	2017	288,851	293,030		1.45%
	2018	303,623	306,317		0.89%
	2019	318,264	321,482		1.01%
Nominal Indiana Personal Income Net of Transfer Payments (in millions)	2016*	220,651	227,143	actual	2.94%
	2017	229,897	235,484		2.43%
	2018	241,821	246,107		1.77%
	2019	253,485	257,842		1.72%
Nominal Indiana Wages & Salary (in millions)	2016*	140,044	141,275	actual	0.88%
	2017	146,693	146,309		-0.26%
	2018	154,157	153,328		-0.54%
	2019	161,490	161,261		-0.14%
Indiana Unemployment Rate	2016*	4.50%	4.72%	actual	4.80%
	2017	4.51%	4.39%		-2.78%
	2018	4.54%	4.23%		-6.87%
	2019	4.59%	4.01%		-12.67%
U.S. Corporate Profits (in billions)	2016*	2,090	2,029	actual	-2.92%
	2017	2,217	2,136		-3.66%
	2018	2,225	2,223		-0.10%
	2019	2,225	2,308		3.74%

*Data Source: IHS Markit